

Nichols  
\$1.25.  
peeches,  
give the  
in taxa-

McGraw-  
tion of  
ominant  
business  
udent a  
int him  
affected  
n added.

orp and  
t group  
society  
must the  
critical  
ent, and  
e actual  
hile the  
lysis of

raw-Hill  
his book  
problems.  
to wage  
loyment  
standards  
on legis-

ton and  
While  
th more  
ent back-  
rchasing  
since the  
self as a

chool of  
30 cents.  
who wish  
desire to  
d list of  
descrip-  
d.

iam and  
72 pages.  
izing the  
e limita-  
them.

Review

# *The* Management REVIEW



---

COMMENT • DIGEST • REVIEW

---

## **THE AMERICAN MANAGEMENT ASSOCIATION**

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

### **Organization and Operation**

The AMA serves its members through six divisions: Office Management, Insurance, Personnel, Finance, Marketing, and Production. Each of these divisions is headed and directed by a man drafted from industry.

### **Conferences**

Each of the six AMA divisions holds at least one annual conference, where problems of timely importance in its field are discussed. Printed conference proceedings go to members of the divisions concerned.

### **Information and Research**

The AMA Information and Research Department places at the command of every member company a trained research staff on management problems. In addition, the AMA maintains a modern, up-to-date library of management books and business publications.

### **AMA Periodicals**

THE MANAGEMENT REVIEW (monthly) contains digests of articles on management appearing in over 400 publications, and brief reviews of current business books. It enables a busy man to survey all current topics of interest to him in less than 30 minutes. PERSONNEL (quarterly) publishes articles on employee selection, training, compensation, and the like. BUSINESS CONDITIONS AND FORECASTS (monthly) gives a summarized analysis of the statements of six of the foremost business services.

**Editor** — JAMES O. RICE, 330 West 42nd Street, New York, New York  
**Assistant Editor** — M. J. DOOHER

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXVIII, No. 8, August, 1939. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

# • CONTENTS •

AUGUST, 1939

Volume XXVIII

Number 8

Copyright, 1939

American Management Association

## The Management REVIEW

Current Comment .....	254
By WALTER S. GIFFORD	
The Management Index	
Be Wary of Branches.....	257
Forbes	
What Can Industry Do About Syphilis? 258	
National Safety News	
Possible Effects of the Wage-Hour Law on Employment Opportunities and Status .....	261
Occupations	
"Little Wagner Acts"—Amended Style 266	
International Juridical Association Monthly Bulletin	
Centralized Firing .....	269
American Business	
Merit-Rating Survey Findings.....	270
Personnel Journal	
Characteristics of Paid-Vacation Plans in Non-Manufacturing Industries 271	
Monthly Labor Review	
Factory News-Letter .....	273
Business Week	
Sicken 'Em; Sell 'Em.....	275
Printers' Ink	
The Law of Diminishing Returns in Advertising .....	276
Advertising Age	
A Lot of Sweat.....	277
The Iron Age	
And Others	
Survey of Books for Executives	
Business and Capitalism.....	282
Reviewed by Willard L. Thorp	
Common Stocks and Uncommon Sense 283	
And Others	

PROBABLY the best thing that could happen to bring about industrial peace would be for the nation's workers and its stockholders to hold a conclave where they could shake hands and get acquainted with each other. They'd probably both be surprised. If workers think of investors as sly, fat fellows who live on what their money earns for them, they would be surprised to learn that investors are everyday people who run cigar stores, operate truck farms, and work hard for a living. A recent survey of 163 firms showed that these concerns have 6½ million stockholders, as compared with 2.8 million workers. The average number of shares held by each stockholder was 104, and over three-quarters of them do not own more than 100 shares each.

It would thus appear that the owners of America's industries instead of being a handful of plutocrats consist of a large number of people of modest means. Read about these quiet strangers and some interesting tax statistics on page 277 (A Lot of Sweat).

SINCE ancient times men have recognized the value of music and song in getting the day's work done. In the days of Plato, Greek ladies found their housework made easier by flute players; even today ploughmen, blacksmiths, cotton pickers and boatmen have their songs. Why not the modern factory worker? In the United States factories do not provide music, but in England a large number do. These English concerns have discovered many interesting things in connection with the effect of melody and rhythm upon the performance of workers. One writer says (see page 265—Music in Factories) that the use of music is still in its experimental stages—comparable now to the rest period 30 years ago—but that it will become more common in time.

# Current Comment

## BUSINESS—TODAY'S FOREMOST PROFESSION

**M**ODERN business management should be, and I believe for the most part is, imbued with an interest in the public welfare. It provides the basis of satisfaction to educated men, for industry is the basis of the well-being of the nation and commerce, the chief hope of an economy in which the nations of the world can live in peace. Business is not a simple calling. It requires skill of a high order, capacity, and a sense of responsibility. Business today is not based on the conception of a world of a limited amount of goods in which, if one man gets more, another man must get less. Its objective, whether conscious or not, is to create more for all. And in doing so it must reconcile the interests of the workers, the owners and the consumers. Especially today it must carry on with sympathetic understanding of the necessary restrictions to its complete freedom that grow out of what is called the "public interest"—the interest of the general public, whether or not workers, owners or customers of the particular industry.

Modern social conceptions demand that business maintain and improve the standards of wages and working conditions which it has made possible. Modern social conceptions demand that the consumer continually get more or better goods and services for his money or the same goods and services for less money. These and many other responsibilities rest upon business, while at the same time it must earn sufficient to pay for the use of the savings of people which are voluntarily put into enterprise. The problems of policy, organization, the dealings with people, the use of science, authority, and psychology necessary to accomplish these things are a test and challenge to those scholars who believe that the trained mind is effective in the conduct of human affairs.

Since the railroads have made the country one national market and trucks have amplified this service, since the telegraph and telephone have removed the risks of time from widely separated business operations, large-scale business organizations have come into existence. No man, or group of men, owns them—ownership is widespread. Their economies are produced by skilful management



and very large investment in plants and facilities. These great businesses are by their very character based upon the long pull and staffed by people who make the enterprise their life work. In them, promotion is by merit and accomplishment.

Moreover, there is another element which gives the modern profession of management a long-range vision. The process of translating science into utility is often a very slow one. It often is as arduous or even more arduous an undertaking to make a scientific invention useful to mankind as it is to invent it. There is an apocryphal story that when Farraday discovered the relationship between a moving magnetic field and electricity, and a noble Lord asked him what good it was, he replied: "Well, some day you may tax it."

He was correct enough, for the electrical industries depending on that discovery pay a lot of taxes today, but at the time it had no immediate application. It was a great many years before the electric generator vitally affected the standard of living. The close relationship today between science and business has greatly shortened the lag between scientific discovery and practical application. This lag is still appreciable, however. For instance, in the telephone business a transatlantic telephone call on a scientific experimental basis succeeded in 1915. We worked more than 10 years, however, before we could start a transatlantic telephone service, and, in that case, the business organization and the scientists functioned as a team.

Moreover, for the maximum utility of what science offers to mankind, business has had to develop organizations of workers and supervision on a scale hitherto unknown. It is often necessary to combine a high degree of specialization of many kinds in one business organization and to see that the different specialists fit together in a well-organized team. The problem involved is plain to all when applied to a football squad of 30 or 40 men. It is not so plain when it involves, as it may, 30,000 or 40,000, or even more, with the added complication of having them scattered over the country. Mechanical or electrical power, communication and transportation are tools essential to this large-scale teamwork, but the advance in managerial capacity which has made use of these and other tools to organize and run large and complicated enterprises with modern precision is as new as the tools it uses.

WALTER S. GIFFORD, *President,*  
*American Telephone & Telegraph Company*

Excerpts from a recent address.

---

## THE MANAGEMENT INDEX\*

---

### *General Management*

#### **The Role of the Middleman**

The toll taken by the much-abused "middleman" in our economic system amounts to less than one-fifth of the total cost of distributing goods from producer to consumer, it is indicated in figures compiled by The Twentieth Century Fund in a recent study of the costs of distribution.

On the basis of the year 1929, in which a larger volume of goods was produced, distributed and consumed than in any year before or since, the services of wholesalers cost American consumers an estimated 7 billion dollars. This is 18 per cent of the estimated total bill of 38.5 billions for the entire distribution system.

The notion has been widely held that profits made by wholesalers and other elements in the distributive system are excessive and that if we could "eliminate the middleman" from our economic system, costs to consumers would be materially reduced. However, a survey of profits in various wholesale trades indicates that wholesale grocers earned 1.3 per cent on sales in 1936, confectionery wholesalers made 2.2 per

cent, dry goods wholesalers earned 2.7 per cent, while profits of paint and varnish wholesalers ran as high as 4 per cent of sales. All these figures relate to operations in a fairly profitable year. During the depression years from 1930 or 1931 to 1934 or 1935, a considerable proportion, if not the majority, of distributors showed a net loss on their operations.

Every retailer would have to do business directly with the manufacturer of every article he carries in stock if it were not for the fact that the intermediary dealer performs this function for him. For example, a retail grocer handling from 1200 to 3000 items may select his merchandise from a typical wholesaler's inventory of between 10,000 and 20,000 items. An independent druggist who may carry as many as 12,000 articles may buy what he needs from a wholesaler who carries from 40,000 to 60,000 items. Such considerations lead to the conclusion that if the intermediary function were not performed by someone, our economy in its present form could hardly exist.

Nevertheless, the conventional whole-

\* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

saler has been losing ground over a period of years, as evidenced by the failure of many long-established wholesale businesses. Thus, in 1929, total sales of conventional wholesale merchants accounted for 36.8 per cent of the total volume of intermediary trade, while the business passing through manufacturers' sales branches and chain-store warehouses together accounted for 26.5 per cent. By 1935, although the wholesale merchant still maintained his position as the most important branch of the intermediary trade, his share had declined to 32.2 per cent, while the other two groups controlled 29 per cent. The Twentieth Century Fund, New York, N. Y., May 26, 1939. 4 pages.

### Be Wary of Branches

Pride goeth before a branch office.

We haven't arrived in business until we have branches. We list them on letterheads. We feature them in advertisements. Above all, we refer our inquirers to them.

Yet there isn't any greater delusion in business than the benefit of branches.

Mails are so sure and prompt, telegraph and teletype are so far-reaching and quick, the telephone is so accessible to all our clients that the branch is an actual brake on business rather than an accelerator or harvester of it. With the exception of certain types of business in which the branches are the business, with only warehouses or buying or banking offices at the top, there is scarcely a concern which could not

increase its paying volume and its profits by dropping its branches.

In practice, outposts of an organization are too weak to cover new fields or customers. They are cut off from the main power plant of responsible executives and expert technical men. They haven't the hourly and daily backing and contact with the sources of impulse which make the business go.

Branch salesmen become messenger boys; branch executives, mere correspondents. And these executives are the inherent defect in the branch office system. We set up a small replica of the home office organization in a branch to do business with the home office. Unfortunately, when we get down to scanning the daily work of branch personnel, that is their major activity. Their correspondence with, and their reports to, the home office form much too great a part of their total accomplishment. It's treadmill work which creates no effective return. Most of it would be totally unnecessary if the salesmen traveled out of the home office.

Why do so many smart business men fall for the idea of branches?

They believe there are these advantages:

1. Traveling expense is less for the same number of customer calls.
2. More frequent calls will be made on customers and prospects.
3. Territories will be combed more finely for new business.
4. Closer contact can be maintained against competitive inroads.
5. Prestige is enhanced thereby.

Let's analyze them one by one.

1. Branch office expenses, plus the cost of localized traveling and of employees needed only to operate branches, nearly always exceed the traveling expenses of salesmen from the home office for the same volume of paying business.

2. More frequent calls of a local man receive less aggregate attention than the fewer calls of the visitor. There is almost universal recognition of the custom of receiving out-of-town callers when they come expressly for that purpose.

3. The amount of "combing" done is purely a question of personal drive and effectiveness, and does not depend on whether the individual is in town for his monthly calls or whether he lives there.

4. Closer contact is the only real excuse for a branch, but it is an expensive luxury. Offsetting closer customer contact is the loss of contact with the home office executives and organization which is tremendously important.

5. Prestige? There's a siren not easily rebuffed. But the same amount of money, if put into printed matter and publicity, would easily build up a standing to a higher point of recognition and net return.

But this is all negative? How *shall* territories best be covered?

By dealers, distributors, agencies; by men and groups in business for themselves on their own capital. Whether they make much money or little money for the parent company, they'll never run a loss for it. That can't be said of branches. BY W. H. CONANT. *Forbes*, August 1, 1939, p. 13:1.

## What Can Industry Do About Syphilis?

The importance of syphilis as an industrial problem is not well understood, for adequate, exact statistics on the subject are lacking. Little is known of the proportion of working men and women who are infected, or the rate at which they become infected. Of great importance is the effect of syphilis upon a man's ability to work, yet evidence on this subject is especially meager and inconclusive.

Employment of the syphilitic has been objected to on the following grounds:

1. Danger of transmission of syphilis to others.

2. Increased economic liability imposed on the company, and the danger to life in the use of machinery by syphilitics.

3. Decrease in general efficiency and disruption of time schedules.

Consider these objections individually. First, what are the dangers of transmission of syphilis to fellow employees?

They are relatively few, because personal contact in the ordinary industry is not sufficiently intimate to transmit the disease from infected to uninfected individuals. Even if the individual has early infectious syphilis, he can be rendered non-infectious by proper treatment over a brief period of one or two weeks.

The second reason given for not employing syphilitics is the increased economic liability they impose on the company. This has been attributed principally to an increase in the number of accidents and an associated



growth in material loss, claims, and unemployment compensation. However, at the present time there is no evidence to show that an individual with syphilis, other than one suffering from syphilis of the heart or nervous system, is apt to have more frequent accidents than a non-infected individual. Of course, untreated syphilis may in some instances cause delayed healing of wounds and fractures; thus an untreated syphilitic who is involved in an accident may be incapacitated for twice the normal period.

The final objection to the employment of syphilitics is the loss of general efficiency and disruption of time schedules. Aside from those individuals having severe lesions of the heart, nervous system, or eyes, there is no reason to believe that a syphilitic cannot work as well as an uninfected individual. Undoubtedly treatment of syphilitic workers will disrupt time schedules, but with night clinics and sufficient time off for the employee, the efficient executive can arrange for his employees to take treatment with a minimum of inconvenience to themselves and their companies.

If an individual organization desires to do something about syphilis, what type of program should be followed? An intelligent educational approach is the *first step*; employer and employee should know what syphilis is and why it is important to both of them, and they should realize the importance of treatment. *Second*, the routine use of blood tests for all new employees and periodic testing of other employees, particularly those under 30 years of

age, will detect much of the syphilis present. The *third* step in the control of syphilis in an industrial concern is a complete physical examination of employees, particularly those with positive blood tests. *Fourth*, all accident cases should be investigated for the possible existence of untreated syphilis. And *fifth*, continued treatment should be the basis for continued employment, to protect both the employee and the employer. Under such conditions there should be no objection to the employment of syphilitics, for the danger to the company will be largely eliminated. BY ROBERT DYAR, M.D. *National Safety News*, August, 1939, p. 20: 6.

### Relative Importance of Industries

More than 150 industries were ranked according to the number of wage earners employed, the cost of materials, the value of products, and the value added by manufacture, in data recently released by the U. S. Bureau of the Census. Steel works and rolling mill products ranked first in all classifications except cost of materials, where they took fourth place. Manufacturing of motor vehicles, not including motorcycles, ranked first in cost of materials, second in value of products, fifth in value added by manufacture, and eighth in number of wage earners.

The value of bread and other bakery products produced in 17,193 establishments (the largest number occupied by any one industry) was \$1,426,163,000, ranking seventh among all



the industries. Steel and rolling mills, on the other hand, produced products to a value of \$3,330,491,000 in only 410 plants.

The figures interestingly emphasize the differences in ranking of industries as to value of products and as to number of wage earners. Pottery, including porcelain ware, ranked 57th in wage earners and 125th in value of products. Smelting and refining of copper ranked 125th in wage earners and 19th in value of products. Of 158 industries which employed more than 10,000 wage earners, tobacco (chewing and smoking) and snuff had the fewest workers, but the value of the tobacco products was only 95th on the relative industrial scale. *Dun's Review*, August, 1939, p. 41:1.

### **Industrial Health — For People and for Profits**

Only 10 per cent of industrial absenteeism is due to accident and occupational disease; the remainder we must lay to common colds, pneumonia, heart disease, and other ordinary ailments. Since plant safety programs have proved profitable to management, industrial health programs can likewise be a paying proposition.

Where plant medical services exist, employees recover much more rapidly from illness or injury and are much less likely to sustain permanent disability. Healthful working conditions also bring about lower accident rates. A survey by the National Metal Trades Association showed that, in a representative group of plants, the installa-

tion of medical service cut accident rates 46.6 per cent, with a 28.7 per cent reduction in compensation payments, and a 50.6 per cent reduction in absenteeism. In addition, healthful working conditions result invariably in decreased turnover, lower death rates, and greater efficiency. The last is affected by many different factors, of which lighting is one good example. In 38 plants where better lighting was installed, a 13 per cent increase in efficiency resulted.

Here are two practical examples of plant health policies—the first, in a large company, and the second, in a small one—that have proved to be pure gold for all concerned. Youngstown Steel discovered the value of salt doses as a precautionary measure against heat strokes, saved thousands of dollars in its own organization, and provided industry with information worth millions. An Ohio machine and woodworking plant employing 115 men installed a medical dispensary at a cost of \$600, with an additional outlay for supplies and medical services amounting to \$1660 per year. The result was an immediate direct saving in absenteeism of \$3420, and a reduction of 25 per cent in labor turnover.

An industrial health program should provide for healthful working conditions as measured by the adequacy of these factors: industrial medical services, sanitation, lighting, heating, ventilation, safety. In general, every plant should have a properly organized medical service, with a full- or part-time physician, or physicians, skilled in

industrial practice. Equipment for emergency and dispensary work, plus the necessary personnel, should be provided; and the services of expert consultants should be available.

Some of you may say, "That's big-plant stuff, isn't it?" One may as well argue that efficiency itself is strictly a big-plant matter, that small plants can't afford it. True, the cost of medical service still runs about two-thirds higher in small plants than in large ones, but I am confident that this difference can be greatly reduced. In many instances, small plants have already formed groups to pool the cost of health projects, with great resulting economy. BY DR. VICTOR G. HEISER. *Factory Management and Maintenance*, May, 1939, p. 42:6.

### **Possible Effects of the Wage-Hour Law on Employment Opportunities and Status**

Under the Fair Labor Standards Act, the various industry committees are specifically enjoined to fix "the highest minimum wage rate (not in excess of 40 cents an hour) which . . . will not substantially curtail employment" in the individual industries. It is quite possible that regions accustomed to paying low wages because of a docile labor supply or other advantage may be drastically affected by a regulation which raises traditional levels of wages. An increase in the minimum may cause shifts of outlying manufacturers to more centrally located regions; consequently, while there may be no loss of employment nationally, workers in one

area may lose jobs as workers in another area obtain them.

Again, the setting of a "floor to wages" may not only affect the employer's specifications with regard to race, sex or age of persons ordinarily used in an occupation, but it may also cause significant sharpening in the other specifications of those hired. Under minimum wage decrees of the NRA, the people in most need of opportunities for work were stated by critics of the measure to be barred by the higher qualifications resulting from the wage decrees. Displacement of less efficient workers who are unable to meet more stringent standards of output, especially under the piece-rate method of pay, is another possibility suggested by NRA experience.

Both older and younger workers may suffer under the Act. It has been reported to the Apparel Committee that in some concerns in that industry as many as 40 per cent of the employees are over 50. Although the Administrator is permitted to make special regulations for older workers, learners, etc., many employers may feel that too much red tape may be involved in obtaining such concessions, and so may be inclined to reduce the less efficient group to a minimum.

Under a 40-cent minimum, a tendency to employ workers of more mature age may develop, thus retarding the entry of youngsters into employment. On the other hand, where such substitutions cannot be made, the effect would be to improve and widen vocational education.

The hours provisions embrace a wider field than the wage provisions; they are not limited to the relatively small group of concerns affected by the wage minima, but cover the full total of almost 11,000,000 workers in plants within the scope of the Act. When the 44-hour basic maximum became effective, some 1,400,000 workers were estimated to work more than 44 hours; after October 24, 1939, when the legal maximum will be reduced to 42 hours, an additional 350,000, on present data, will be involved; and if 40 hours were the maximum, a total of almost 2,225,000 would be affected. These numbers are to be viewed as applying only to a particular month.

Now, if 2,000,000 workers obtained shorter working hours, and the total time reduced amounted to one-tenth of a working week, one might suppose that approximately 200,000 more workers would thus receive employment. But this sort of reasoning is

deceptive. If the higher minimum wage leads an employer to hire more efficient workers, will this not mean some curtailment in the number of employees required for a given amount of output? If the raising of wages is not accompanied by increased efficiency, will the extra cost not be a further stimulus to mechanization, reducing the number of the relatively unskilled jobs? If reductions in hours should be accompanied by employee demands for the prevailing weekly wage, as has already happened in some cases, or if industry must pay overtime rates, who will absorb the costs? And if increase in prices is met by consumer resistance, will there not be depressing effects on business, making employment sluggish? These are no mere theoretical questions; a large part of the story of the failure of the NRA is related to just such factors. BY HERMAN FELDMAN. *Occupations*, May, 1939, p. 688:6.

## Office Management

### Business Letters: 1939 Style

Doubtless a search through most correspondence files would disclose any number of dictated letters beginning and ending with sentences as outmoded as the horsecar.

There are, for example, those relics of antiquity, "We have yours of the 16th inst." and "Thanking you for your many favors, we are." Even

though verbal bricks galore have been shied at them in recent years, these trite sentences, and others equally hackneyed, are still the mainstays of many a letter writer's repertoire.

Why not replace them with opening and closing sentences more in keeping with the tenor of the times?

Let's begin with opening sentences for letters acknowledging orders. Perhaps the opener most often used for

such letters is, "We thank you for your order of June 8." Certainly there is nothing wrong with that sentence as a sentence. But why use it continually, in letter after letter, when so many less stilted, more 1939ish, variations of it are available?

Here are a few, culled from actual letters, that say "thank you" with much the same spontaneity, the same heartiness with which one expresses his thanks in a face-to-face conversation:

That was a dandy order you gave Mr. — on May 15. Thanks a lot for it!

\* \* \*

Your order of June 4, for which please accept our hearty thanks, arrived this morning, and everything it calls for is being shipped today.

\* \* \*

This morning's mail brought us the welcome news, in the form of your order of July 10, that you have decided to join hands with us.

And for the simple routine letter—the letter whose potentialities as a goodwill builder are too often overlooked—aren't the following sentences preferable to flat, insipid openers like, "We have yours of the 10th and would like to say," etc.?

You did perfectly right, Mr. Cary, in taking us to task for having shipped — instead of — on your order of February 4. We're sorry.

\* \* \*

Yes, Mr. Jones, we are prepared to serve you with — like the one that accompanied your letter of April 1.

\* \* \*

It is a pleasure to be able to tell you, in answer to your letter of May 15, that all the merchandise on your order of May 10 was shipped by boat on May 12.

Suppose we now turn our attention

to closing sentences. As closers for letters acknowledging orders, these sentences appeal to us as being refreshing variations of that much-used archaism, "Thanking you for your many favors and hoping to serve you again soon, we are."

Needless to say, we'll welcome the opportunity to serve you again when you need more —.

\* \* \*

It's our hope that when your stocks of — again need to be replenished you will remember us with another order.

\* \* \*

Will you remember us again, Mr. Jones, when you find it necessary to buy more —?

Such sentences not only more aptly express the true sentiments they are intended to express, but they more clearly reflect the progressiveness of the modern business organization than the stiff, formal sentences with which so many otherwise well-written letters begin and end—and they are available for the small price of a little extra thought. BY CHARLES A. EMLEY. *Printers' Ink*, August 4, 1939, p. 30: 2.

### Spearmint Efficiency

Rules against chewing gum in the office may be modified now on scientific advice. The office typist, with her jaw working rhythmically up and down in time with her typing, is actually turning out more work than she would if she merely swallowed the same amount of sugar in a candy mint.

Experiments conducted at Columbia University's psychological laboratory by Professor Harry L. Holling-



worth show that while gum-chewing is relaxing, the gum-chewing typist works harder because she is saved a lot of random and restless movement. The energy salvaged by the chewing goes into the typewriter. Her nervous tension is relieved. *Talks*, Columbia Broadcasting System, Inc., July, 1939, p. 10:1.

### **Right and Wrong Ways to Prepare Employee Manuals**

Perhaps the most frequent mistake made in the preparation and publication of an office manual is to call it the "Rule Book" or to label it "Rules and Regulations." There seems to be almost a passion for getting out excellent working manuals and then damning them with some such title as "Regulations for Employees" or "General Rules, Regulations and Information for Employees." Such titles sound as if the employee were an inmate of some kind of penal or reform institution.

Allis-Chalmers Manufacturing Company has the right idea: Its book is called "Your Work—at Allis-Chalmers." Another excellent employee manual is "Our Company," published by Butler Brothers. "Working with Humble" is the title of an effective manual issued by the Humble Oil and Refining Company of Houston for use of its employees.

A number of manuals issued by banks for their employees seem needlessly stern and forbidding. Perhaps this is necessary to impress the young bank employee with a sense of dignity. These booklets include such titles as

"Information for Employees," "General Rules and Regulations," and "Rules and Information for Employees." All these booklets are approximately the same size—a trifle smaller than a government postcard. All follow the same alphabetical arrangement—absences, accidents, attendance. All forbid smoking, gambling, "loud" clothing, noisy or unseemly conduct. One bank attempts to stay the course of Dan Cupid by forbidding employees whose salaries are less than \$1400 to marry. Our suggestion would be that the banks might well humanize these booklets without sacrifice of the necessarily high standards of conduct and deportment required and expected of bank employees.

A recent study of 45 employee manuals indicates that the following subjects (listed in order of frequency) are most often discussed with employees: insurance and savings plans, accident, sickness and death benefits; vacations; smoking; absences and attendance; physical examinations and medical service; suggestions; promotion and transfer; company services to employees; change of address; locker rooms; pay day.

Many authorities believe it worth while to include personal information about the officers of the company and at least a brief history of the company and some description of its products and services. By all means, give as much information as possible about pay, advancement, holidays, seniority, deductions, and other things about which employees are prone to gossip. Clear up all misapprehensions about



company policies and methods. And above all, say something or do something to prove to the new employee that you are glad to work with him and set him at ease. *American Business*, July, 1939, p. 22: 4.

## Office Management Conference

The Office Management Conference of the American Management Association will be held at the Hotel Pennsylvania, New York City, on Wednesday and Thursday, October 25-26.

# Production Management

## Music in Factories

A recent study of the use of music in British factories has led to the following conclusions:

1. Music is provided in 10.7 per cent of the factories interrogated, and is provided during working hours in 4.8 per cent. In 32 of the 47 factories which comprised the latter group (4.8 per cent) rest pauses were in operation, while 43 had refreshments.

2. Factories having music during working hours show great variations of duration and incidence.

3. Employers in general had no reason to complain of the effects of music in their factories, and 74.5 per cent asserted that it increased efficiency. Many favorable comments were recorded regarding the effects of music; the unfavorable ones came from those who had already abolished it.

4. The main reason for the non-provision of music was that of noise.

It is too early yet to make any really satisfactory survey of the use of music in industry. Music at work, though as old as the art itself, is still in its infancy as far as factory use is con-

cerned. It is comparable to the position of rest pauses 30 years ago. The attitude toward rest pauses has materially changed since then, and the attitude toward music will probably change in the same way, though much more quickly.

The relationship of music to other methods of reducing fatigue and boredom demands inquiry. The need for refreshment, and consequently the desirability of rest pauses, suggests that music should be used rather to supplement these than to take their place. The incidence of music must, however, be studied in relation to these factors to ensure that both rest pauses (with refreshments) and music will operate at the most advantageous times.

The possibilities and value of unaccompanied singing are worthy of exploration. Singing is the traditional method of the soldier and the Volga boatman of keeping up spirits and rhythm. Perhaps, however, where it is not frowned upon by employers, it has been defeated by the increasing noise of production and the influence of "canned" music in the homes of the employees, if not in their factories.

We must not, however, condemn "canned" music too harshly, for its presence in the factory may be but the modern equivalent of the flute player of olden days who charmed the ears of the Greek ladies as they carried out their household tasks. From *Report 8* ("Rest Pauses and Refreshments in Industry"), National Institute of Industrial Psychology, London, 1939, p. 43:7.

### **Annual Earnings in Radio Manufacture**

Wage earners in plants manufacturing radio sets, parts, and tubes, whose employment extended over 12 months, averaged \$1199 in 1936. Including all workers employed nine months or more, the average was \$1048, while for employees working six months or more it was \$922. For all wage earners working any part of the year, the average annual earnings amounted to \$828.

Employees working throughout the year in plants manufacturing sets had average annual earnings of \$1351, whereas those in plants manufacturing parts and tubes averaged \$1093. These figures are based on annual earnings data obtained by the Bureau of Labor Statistics from 17 radio-manufacturing plants for the year 1936. *Monthly Labor Review*, July, 1939, p. 163: 13.

### **"Little Wagner Acts"—Amended Style**

Legislatures in three states—Wisconsin, Pennsylvania and Minnesota—have recently passed legislation in con-

formity with the principles of some proposed amendments to the National Labor Relations Act. In Wisconsin and Pennsylvania, labor relations acts similar to the Federal act were previously in effect.

The Wisconsin "Employment Peace Act" entirely repeals the State Labor Relations Act of 1937 and sets up a new "Employment Relations Board" in place of the old board. The new statute permits an employer to favor and aid a particular organization by allowing him to donate certain services as long as they do not involve expense to him. The previous exception of a closed shop from the provisions prohibiting the employer from encouraging membership in a labor organization is now conditioned on a showing that three-quarters of the employees in a collective-bargaining unit have voted affirmatively by secret ballot for such an agreement.

An employer is prohibited in all events from bargaining collectively with representatives of less than a majority of his employees, whether or not any other organization represents a majority. The check-off of union dues is an unfair labor practice unless the employer has been presented with an individual order signed by each employee personally. The term "labor dispute" is defined as referring only to "a controversy between an employer and a majority of his employees in a collective bargaining unit concerning the right or process or details of collective bargaining or the designation of representatives," and employees who strike under other circumstances are

now deprived of their employee status and of all benefits under the act.

It is made an unfair labor practice for an employee "individually or in concert with others . . . to coerce or intimidate an employer in the enjoyment of his legal rights"; to "induce" an employer to interfere with his employees; to violate the terms of a collective agreement; to refuse or fail to recognize as conclusive of any issue in any controversy as to employment relations the final determination of any tribunal having competent jurisdiction of that controversy; to induce or engage in "picketing, boycotting or any other overt act in a strike," unless a majority in a collective-bargaining unit have voted by secret ballot to call a strike. Mass picketing and secondary boycott are likewise prohibited.

Unfair labor practices by employees under the Pennsylvania Act (which has not at the present writing been approved by the Governor) include participation in a sit-down strike, intimidation of other employees to encourage or discourage membership in a labor organization, and intimidation of an employer with the intent of coercing the employer to accede to their demands or to collective bargaining.

The Minnesota law is designed as a compulsory mediation and arbitration measure and is only secondarily concerned with unfair labor practices. An office of "labor conciliator" is created by the act, and any labor organization desiring to secure a change in any condition of employment must give written notice to the employer. A period of negotiations in good faith must then

be undertaken, and if no agreement is reached at the end of 10 days, a notice of intention to strike may be given. Any strike which takes place within 10 days after such notice, or without such notice, may be enjoined. The notice must be served on the employer as well as on the conciliator. In any business connected with or concerned with a public interest, the Governor, upon notification from the conciliator, may appoint a special commission to investigate; in such cases, no strike is legal until the report of that commission has been filed or until 30 days have elapsed after the notification to the Governor. *International Juridical Association Monthly Bulletin*, June, 1939, p. 137:2.

### Output and Employment in Petroleum and Natural-Gas Production

For as far back as records are available, the output per worker employed in petroleum and natural-gas production has been tending upward. By far the most marked decrease in manpower requirements, according to a study just completed by the National Research Project of the Works Progress Administration and the United States Bureau of Mines, has occurred in the primary production branch of the industry. In that division, output per man-hour increased 850 per cent between 1889 and 1935.

Output per man has also increased substantially in petroleum refining, and in 1937 the throughput of crude oil per man-hour was more than three

times as great as in 1919. Comparable records for pipe-line transportation extend back only to 1922, but even within this short span of years the volume of crude petroleum and petroleum products handled per wage earner employed has increased approximately one-third. *Monthly Labor Review*, July, 1939, p. 39: 20.

### **Scooters Save 25 Per Cent in Walking Time**

Substantial savings in time have been accomplished by putting on wheels everybody who has much occasion to move about through the plant of R. G. Le Tourneau, Inc., Peoria, Illinois. Messengers, foremen, and others are equipped with bicycles. But for those men who do the most moving through and around the quarter-mile long factory, gasoline-powered scooters are used.

The plant has nine of these autobikes: two for plant superintendents, four for stock chasers, one for the service department, one for the vice-president and factory manager, one for the president. The scooters reach a top speed of 30 miles per hour and can go 120 miles per gallon of gasoline. It is estimated that superintendents and stock chasers, who find it necessary to go from one end of the plant to the other many times a day, save up to 25 per cent in time as compared with walking.

The little gas bugs are much smaller and more mobile than bicycles. Stock chasers frequently use them to carry small parts and tools to distant sec-

tions of the plant. Orders are not usually transmitted by scooter, unless the person issuing the order happens to be moving about on a scooter; telephones and bicycles are used for the routine work of handling orders.

An automatic clutch and gearshift make it easy to travel over grades, through sand, and over rough ground; consequently the scooters are used almost as much around the plant and over the rough ground outside as they are used inside. *Factory Management and Maintenance*, July, 1939, p. 51:1.

### **Minimum Wage Laws in the States**

Twenty-five states, the District of Columbia and Puerto Rico have laws on their statute books specifying minimum wages below which certain classes of employees may not lawfully be hired. With the exception of the Connecticut statute, all the laws cover women and children only; Connecticut alone includes men in its coverage. In general, employers in all industry and trade are subject to the laws, although some states make specific exceptions among industrial pursuits, and most of the laws are not applicable to domestic service and agricultural occupations.

The prevailing method of enforcement is gradual, orders being issued by an administrative agency after study covering one occupation at a time. Such orders are frequently issued first as directory orders, which later are made mandatory. The distinction is that penalties are not imposed until after the order has become mandatory, the date on which they become man-



datory being fixed by the administrative agency. *Wage and Hour Reporter*, July 10, 1939, p. 4:8.

(Comprehensive digests of the various state statutes are appended to this article—*Editor*.)

### Some Elements in "Refusal to Bargain"

Under recent rulings by the National Labor Relations Board, an employer, sitting across the bargaining table from a union representing his employees, refuses to bargain if he:

Rejects each proposal by the union without advancing counterproposals;

Disregards unobjectionable propo-

sals on the grounds that they are superfluous;

Turns down all proposals by the union on the ground of financial inability to meet proposed increased wage rates, while refusing to open his books to the negotiators;

Refuses to put into a contract a guarantee of conditions already in existence in the plant on the ground that such guarantee is not necessary;

Insists on the union's first organizing his competitors, particularly, as in one case, when some of those competitors are in Japan.

*Labor Relations Reporter*, June 12, 1939, p. 2:1.

## Personnel

### Centralized Firing

Whatever we may think of unemployment insurance, we must admit it has one good point—it is putting a deep crimp in the autocratic power of gang bosses and department managers to fire men for trivial reasons. When a former employee applies for unemployment insurance in most states, a slip is issued to his last employer advising that the money paid the worker will be charged against the company's unemployment fund. In order to obtain the lowest possible rates on insurance, the management takes great care that such charges are held to a minimum.

When the first charge slips were

mailed out in Illinois on July 1, the foremen in one big establishment went into a huddle and decided to petition the management to set up a central clearing bureau for all employees who had to be discharged or laid off. It was their idea that in many cases workers who could no longer be used in one department might be transferred to another department which was in need of help. If such a transfer could be made, it would save them from having a black mark chalked against them when the slip came in from the state unemployment insurance office.

To say that the request shocked the management is to put it mildly. Here was a group of men who had fought the least suggestion that their power to



hire and fire should be curtailed, actually asking that this be done. And it was done. A division of the employment department was set up, charged with the specific task of keeping down turnover and stabilizing employment in the organization. Today it is as hard to fire a man in this organization as it is to hire one. *American Business*, August, 1939, p. 9: 1.

### Merit-Rating Survey Findings

A recent questionnaire survey of 44 representative companies indicates that only about one-third of our industrial organizations are now using merit rating. The concerns which reported that they do not use merit-rating scales stated that merit rating was being considered but that insufficient knowledge of the types of scales prevented its immediate acceptance.

Sixteen of the 44 organizations employ merit rating at the present time. The number of rating factors used by these companies ranges from four to 21, while the total number of different factors employed in all the rating scales is 35. Factors which appear on 10 or more scales are, in order of frequency: quality, quantity, cooperation, initiative, dependability, personality and health.

In six companies, weights are assigned to the various factors. Where no weights are assigned, the rating is done either on the basis of A to E, or Excellent to Poor. Explanatory phrases are employed on 10 of the 16 rating scales.

Eleven companies reported on their

methods of rating. In eight of these companies, employees are rated by their supervisors; in the remaining companies, the rating is done by committees.

This survey has brought to light widely varying interpretations of such factors as "quantity," "versatility," etc. If those responsible for creating merit-rating scales differ in their interpretations of the items used to the extent indicated by the survey, then raters cannot be expected to apply such scales uniformly unless the factors and grades are rigidly defined by explanatory phrases *printed on the merit-rating form itself*.

An important factor to consider in the application of any sort of rating scale is the "halo" effect. By this is meant a general impression which colors one's judgment when rating specific items. In one large company, a hundred ratings selected at random from several thousand employees' records showed that in every case a man rated "Superior" in one item tended to be rated "Superior" in all. The same was true at the opposite end of the scale. Under such conditions it is impossible to classify employees accurately as to their characteristics.

Two means of combating this effect are readily available. The first is to rate the employees only on the basis of ability on the present job and on their likelihood of promotion. This method is open to serious question, although it is used by a few companies not included in this study. The alternative method is to rate all employees on one particular item, cover up those ratings,

and rate them all on the next, etc. This process is continued until all men have been rated on every item included in the scale. This method involves more paper work but will minimize the "halo" effect if honestly applied. By R. B. STARR and R. J. GREENLY. *Personnel Journal*, April, 1939, p. 378: 7.

### Characteristics of Paid-Vacation Plans in Non-Manufacturing Industries

Paid-vacation plans are common in the non-manufacturing industries, according to a survey of 31,189 companies made by the Bureau of Labor Statistics. In the group covered were brokerage, insurance and miscellaneous offices, hotels and restaurants, public utilities, wholesale concerns, and retail companies. Although the proportion of workers included in the plans varied rather widely, in no industry included was the coverage less than 40 per cent. Practically all the brokerage, insurance and miscellaneous office employees worked under vacation systems; 91.0 per cent of the public utilities employees also received paid vacations. Of the five main industry groups, the coverage was lowest for hotels and restaurants, only 63.6 per cent of whose employees worked under paid-vacation plans.

In most of the industries covered, the plans had existed for many years but had been limited to a relatively small group of the higher-paid and most stable part of the labor force. However, in recent years the tendency in these industries has been to extend

the coverage to include a much wider group of workers, such as sales and service employees.

Three of the five industry groups—the brokerage, etc., industry, public utilities, and retail trade—showed preference for plans under which the length of vacation increased with the period of service. These plans provide more liberal terms than the uniform, or fixed period, plans. The most common service requirement under the uniform plan was one year, and the term of leave was most frequently one week, less commonly two weeks. The majority of the graduated-vacation schemes provided for one week's leave after one year of service, and two weeks after two years' service or more. A substantial number of these plans allowed for the accumulation of leave, at the rate of a half day or a full day for each month of service, up to a maximum of one, two or three weeks' vacation.

Some companies granted the same vacation privileges to both office workers and wage earners. In other cases, plans for wage earners were less liberal, and in some instances no provision was made for this group. When separate schemes covered wage earners and office workers, the treatment accorded salespeople varied: Sometimes they were included under the more liberal office workers' plan, sometimes under the wage earners' plan. In other cases they were omitted altogether, even when the plan covered all other groups of employees.

The practice of allowing employees extra pay in lieu of vacation time was

found in some companies in all industry groups; it was most widespread in retail trade as a whole, affecting 27 per cent of employees. The majority of the employees received vacation pay either prior to the vacation or at their option. Broken vacation periods were allowed in the plans of almost 60 per cent of all employees. *Monthly Labor Review*, June, 1939, p. 1258:9.

### **Personnel Partners in Management**

At Canadian Packers Ltd., participation by employees in the management is something more tangible than a philosophical concept. Since 1933 each of the company's eight packing plants has had a "plant relations committee," consisting of representatives elected by the employees, and of others appointed by the company in the ratio of approximately seven of the former to three of the latter. These committees meet at least once monthly, to discuss matters of joint interest to company and workmen.

The committees consider all questions relating to wages and employee benefits; deal with complaints or grievances registered by individuals; act as a kind of tribunal in certain matters of discipline; cooperate in working out plans to prevent accidents, safeguard health, and improve working conditions; and accept an important share of responsibility for the prevention of waste.

A further interesting extension of the same principle of participation by employees was recently announced by

J. S. McLean, president of the company, in his annual report. Mr. McLean stated that it is the company's intention to appoint an "employee director," whose duty it will be to represent the interests of employees at the company's Board meetings.

Since 1933 the concern's employee benefit program has been generally extended. A pension fund was established to care for aged employees, the nucleus of the fund being a contribution by the company of 10,000 shares of company stock, with a market value today of some \$800,000.

In 1934 a policy of sharing profits with employees was introduced. When profits have been ascertained, there is first allocated to shareholders a sum equivalent to 6 per cent of their equity. Beyond that point, profits are divided equally between shareholders and employees. Thus far, distributions of "employee dividends" have totaled \$1,879,567. BY J. S. WILLIS. *Business Management*, July, 1939, p. 16:2.

### **\$32,570 for Suggestions**

It pays to think in General Electric, for during the first six months of this year the company under its suggestion system paid \$32,570 to employees who submitted new ideas. This was an increase of 4 per cent over the corresponding period of 1938.

The number of suggestions received for this period this year showed a 25 per cent increase over the first six months of 1938. There were 15,407 new ideas submitted as against 11,545 for the first six months of last year.

Likewise there was an increase in the number of ideas adopted, with 5304 accepted—15 per cent more than in 1938, when 4531 were selected. News release, General Electric Company, August 11, 1939.

(A description of the General Electric Company's suggestion system will be found in "85,000 Better Ideas," by William E. Owen, which appeared in *PERSONNEL*, February, 1937—*Editor*.)

### Factory News-Letter

Factory employees of the American Rolling Mill Company now receive a "news letter" with each week's pay. Beside the pay office stands a clerk who offers each man a folded single mimeographed sheet. This is devoted to giving the men the lowdown on facts directly affecting their hours and their pay—providing, in fact, a liberal education in the economics of steelmaking. Safety slogans, preaching and pep talks are taboo.

Each letter opens with the week's steel industry operating percentage, the Armco percentage, and the individual plant's percentage. If company or mill is below the industry, the commentator is permitted some such remark as, "The only way this can be reversed is to have our costs such that we can bid on and get the orders in a wide-open market."

The paragraphs bristle with close-up figures and mill and industry facts. In addition, there are specific suggestions to help the men, such as instructions for arranging to get this year's vacation with pay. To keep the news letters spontaneous and last-minute,

they are not sent to the main office for advance approval.

The first experiment with the news letter was begun last year at the company's Middletown, O., mills. Last month the final two plants were added to this new type of plant newspaper chain. And since the office help at Middletown have recently complained that local mill men know more than they do about what's going on, the general office is now about to issue Vol. I, No. 1.

The service letter costs little, and it does not conflict with the plant magazine. The management thinks it fulfils a definitely useful function that no other employee medium has yet been able to perform. *Business Week*, May 20, 1939, p. 33:1.

### Wages and Income of Farm Workers, 1909 to 1938

Earnings of hired farm workers averaged in 1938 about \$300, including board and other perquisites, and the average amount of employment was about seven months.

The lowest point in farm wage rates during the past three decades was reached in 1933, when the weighted average rate was less than half the average rate during the years 1924 to 1929. In 1938, the average was still 30 per cent lower than the 1924-29 average.

Farm wage rates are reported in January, April, July and October. Rates are lower in January than in any other month reported, except when



there is a general downward tendency. The rates vary extensively in different sections of the country. The region with the highest rate on January 1,

1939, was the Pacific States area, and the region with the lowest rate was the East South Central area. *Monthly Labor Review*, July, 1939, p. 59:13.

## Marketing Management

### Advertising Costs

Money spent to advertise commodities in the United States ranges from a fraction of 1 per cent of the price of finished goods to a maximum of over 18 per cent. The total expenditure for advertising probably amounts to less than 3 per cent of the aggregate sum paid by "terminal buyers" for finished goods.

These are two of the central findings in a survey of the costs of distribution which is now being completed by a special research staff of the Twentieth Century Fund.

One striking fact cited by the research staff is the low per-unit cost of advertising in some of the most intensively advertised lines. Thus, the total bill for cigarette advertising in 1937 is estimated at \$45,000,000, "yet the average advertising cost for cigarettes selling at 14 cents is little more than half a cent a package."

Drugs and toilet articles are conspicuous for the proportion of advertising expense which they bear. More than 18 cents out of each dollar that the manufacturers of these products receive goes for their advertising and sales promotion activities.

The item with the next highest advertising cost, tobacco products, shows a proportion less than half of that for drugs and toilet articles. Out of each dollar received by the tobacco manufacturer, 8.2 cents goes for advertising and sales promotion. For confectionery and bottled beverages, the figure is 6.7 cents; for groceries, it is 6.2 cents; furniture, 6.1 cents; automobiles, 4 cents; clothing, 3.7 cents; home furnishings, about 3 cents; and hardware, 2.2 cents. Agricultural equipment has the lowest advertising expense for consumer goods, 1.6 cents.

Whatever the nature of the advertising, the consumer often pays more for a nationally-advertised branded article than for a similar article sold under a private brand or no brand at all. Nevertheless, advertising as a technique of selling is clearly necessary in the marketing of many kinds of goods. It is a useful selling method which, like other selling methods, can be used for bad as well as good ends. It may, and often does, make large-scale low-cost distribution possible. It may, and usually must, result in maintaining standards of quality. And it may, and often does, create a demand not only for the advertised product



but for many unadvertised substitutes. Moreover, such by-products of advertising as the radio and magazines and newspapers may be worth more to the consumer than the added cost of the advertised commodities. The Twentieth Century Fund, New York, N. Y., June 25, 1939. 6 pages.

### Sicken 'Em; Sell 'Em

The textbooks still describe advertising as being exclusively a process of attracting attention, arousing desire, and securing action, which shows they are considerably behind the times. During the last 10 years advertisers have developed a strange art that consists of discovering some new ailment to which the ultra-civilized flesh is heir, informing the public it has the symptoms of this disorder, and offering the product as blessed relief. In short, sicken 'em and sell 'em!

During the last 12 months a slight slackening in the rate of introduction of new diseases has set in. However, this is only natural, since many advertisers had already staked out their pathological claims and consequently the flow of newcomers must be expected to drop off a bit.

There is not the slightest waning in the degree of imagination which advertisers are bringing to bear on the christening of their creations, as witness such of the newer afflictions as Suzy-Droopy-Itis, Hot House Legs, Gap-osis and Tee-Hee Skin. Given a reasonably gruesome set of symptoms, a dramatic and provocative name is a prime determinant of whether an ad-

vertiser's plague will catch up with any appreciable group of victims. People in the mass prefer their miseries to sound interesting.

At great personal risk to the compiling department, *Printers' Ink* has been keeping track of the new infections ever since 1932. The record now includes dread disabilities to the total of just under 300. Here are some of the more recent additions (the suggested remedies are shown in parentheses): Cactus Face (Rolls Razor); Candlelight Skin (Vovox Skin Cream); Closet Claustrophobia (Tuscany Apartments); Denture Breath (Polident); Dictionary Squint (Winston Dictionary); 4 O'Clock Fag (Allen-A Underwear); Gap-osis (Talon Fasteners); Hole-i-toe-sis (Realsilk Hosiery); Hot House Legs (Coopers Underwear); Mid-Section Sag (Bauer & Black Bracers); Pianotosis (Wurlitzer Pianos); Pump Bumps (Feet First Lotion); Razor Blade Skin (Schick Razor); Suzy-Droopy-Itis (Gantner Floating Bra Swim Suits); Tee-Hee Skin (Cuticura Soap). *Printers' Ink*, July 14, 1939, p. 21:2.

### Are Cash Customers Discriminated Against?

It has for some time been apparent that department stores have reached their peak of expansion, but few inquiries have been made as to whether one or more policies were causing a stunting in growth. Little or no statistical evidence has been available as to whether the attitude of department stores toward cash customers, for in-

stance, was possibly one of the principal causes of the static position of the volume of sales.

Some important light is thrown on the subject by the results of a survey of consumer attitudes in 17 Ohio cities. In all, over 2000 women who traded in department stores were contacted. The most significant conclusions of this investigation are as follows:

1. Cash customers do not feel they receive the same consideration as charge customers. Sixty-eight per cent of the women contacted hold this opinion.

2. A large majority of the consumers interviewed are willing to forego certain services in consideration of lower cash prices and state that they are willing to pay the additional cost of the services to the store when such services are utilized.

3. Women will not give up the delivery privilege readily, but may dispense with such services as free parking, C.O.D. sales, approval sales, and returns after five days. Opinion on relinquishment of the charge privilege is nearly evenly divided.

4. If stores wish to begin the policy of reducing services, it will be much easier to start with free parking, C.O.D. sales, approval sales, and returns after five days than to start with credit and delivery.

5. The success of any plan to reduce services depends upon the cooperation of women's clubs and consumer groups.

Are cash customers being literally driven to stores which appreciate their business and which prove their appreciation by better treatment and lower

prices? A dogmatic assertion on this point would no doubt be dangerous. However, it is apparent that cash customers have either gained the wrong impression or are being definitely discriminated against. If the former statement is true, an aggressive advertising campaign is needed to stress the position of the store. But if the latter is the case, positive steps should be taken immediately to correct such an unhealthy condition. BY DR. HARRY DEANE WOLFE. *The Retail Executive*, July 12, 1939, p. 3:2.

### The Law of Diminishing Returns in Advertising

Existence of a law of diminishing returns in advertising was one of the chief points recently emphasized by Irving J. Rosenbloom, advertising agency head, in connection with an analysis of 28,000,000 coupons, representing about \$20,000,000 worth of keyed advertising, over a period of 30 years.

The coupons, Mr. Rosenbloom contended, reveal principles which apply to all copy, whether or not it is couponed, since it is two to five times as easy to persuade prospects to go to convenient dealers as it is to induce them to write to the advertiser. Hence facts about couponed copy apply with even greater force to advertising designed to win sales through dealers.

Mr. Rosenbloom said that the study of these millions of coupons indicated clearly that the law of diminishing returns applies to all advertising. That is, if the same advertisement is repeated over and over, all other factors

remaining unchanged, each successive insertion creates less desired action than its predecessor. Of course, any improvement in season, style, business conditions, and turnover of circulation will tend to counteract the tendency toward diminishing returns; but the tendency is always there, Mr. Rosenbloom asserted, and "the alert advertising man must always combat it by seeking new and more effective appeals."

A corollary is that serial advertisements possess no special merit and that each advertisement must relate its own complete story.

"As far as immediate prospects are concerned," said Mr. Rosenbloom, "teaser copy is not as effective as breaking right into the sales story. Continuity in appearance, layout and copy theme tends to detract from the pulling power of advertising."

"The most important single fact that the coupon analysis teaches is the vital importance of analyzing our objectives. There are different types of objectives in advertising, but the one important action desired must be

selected in each individual case if we are to prepare our advertising intelligently. The offering of alternatives or conflicting objectives kill the pulling power of advertising. If direct action is the chief objective, brand name publicity must be subdued. Actual tests showed that the use of the brand name at the top of the advertisement detracted 25 per cent from the pulling power of the copy.

"If publicity is the chief objective, then the brand name should dominate the advertisement, with sales talk merely incidental. If the objective is to sell the idea of calling on dealers or writing for more information, then certain facts must be omitted to stimulate readers' curiosity."

Mr. Rosenbloom said that position is important and that back covers often outpull inside copy three to one. On most keyed copy, he reported, the best record was made by small space. Thus, he concluded, if larger space is used the problem resolves itself into making the most advantageous use of the additional space. *Advertising Age*, June 5, 1939, p. 24:1.

## Financial Management

### A Lot of Sweat

The American Federation of Investors, Chicago, has just completed a study of taxes paid during 1938 by 163 representative American corporations. It presents some interesting

findings about other things as well as taxes.

For example, these companies have more than 6½ million stockholders, as compared with some 2.8 million employees. Stockholders, therefore, outnumber employees more than two to

one. The average number of shares held per stockholder is 104, and more than three-quarters of the stockholders have not more than 100 shares each.

Two thoughts spring automatically from the above findings. One is that the owners of our great American industries are not plutocrats but are people of comparatively modest means. The other thought is that, if labor is entitled to a voice in public affairs in proportion to its numerical strength, stockholders might justly claim to be heard on the same grounds.

Taxes paid by these 163 corporations, according to the Federation, amounted to an average of \$2.73 per share of common stock, whereas the average dividend paid per share amounted to \$1.33, or less than one-half as much. This, in turn, gives rise to a thought as to why investment of private funds has been so reduced in volume during the past nine years. Prospective investors must face the fact that the tax collector who does the taking out will benefit from profits twice as much as the investor who does the putting in.

By calculating the tax bill paid by these companies on the payroll basis, it was found that it amounted to an average of \$576 per wage earner. This in turn gives rise to a vision of an invisible man standing back of every three workers and exacting a full year's pay of \$1728 from their pay envelopes.

The invisible man, of course, is the government employee whose wages are paid in taxes. And taxes, as Mr. Roosevelt so aptly said when Governor of New York State, "are paid by the

sweat of every man who labors."

There is a lot of sweat in a thousand million dollars. And, roughly, this was the 1938 tax bill of the 163 concerns surveyed. BY J. H. VAN DEVENTER. *The Iron Age*, August 3, 1939, p. 29:1.

### **Your Taxes and the Revenue Act of 1939**

Congress has gone a lot further than most observers had expected in its venturesome extension of an olive branch to apprehensive business in the new Revenue Act of 1939. The new law definitely offers business and industry extensive opportunities to lighten its tax burden.

Beginning with 1940, the undistributed profits tax will be eliminated, and in its place there will be a flat income tax of 18 per cent applying to all corporations earning more than \$25,000. As a general rule, corporations that distribute 40 per cent of their profits will pay about the same tax under the new law as they paid under the old. But those companies that have not been able to pay dividends or cannot take advantage of the credits permitted under the 1938 or prior laws will find their taxes less under the new rates effective in 1940.

When income is less than \$25,000, rates run from 12½ per cent to 16 per cent. So great a differential (2 per cent to 5½ per cent) suggests study of the advisability of splitting existing operations, where business conditions permit, into units where the earnings are known to be less than \$25,000.



Since the law does not go into effect until 1940, it is still essential that corporations with earnings declare dividends in 1939, if they are to avoid the present  $2\frac{1}{2}$  per cent tax for failure to make distributions.

For a great many years, we have had so-called capital stock and excess profits taxes on our statute books. They were so designed that a declaration of value was made in a capital stock tax return and a tax rate of \$1.00 per thousand paid upon the declared value; 10 per cent of this declaration was thereafter used as an exemption in calculating an excess profits tax, in which income exceeding the 10 per cent was taxed at rates of 6 per cent and 12 per cent. Once a capital stock declared value was set, it could neither be raised nor lowered for three years. Under the new law, corporations will be permitted to revise declarations in 1939 and 1940 if they wish to increase the 1938 declared value, but may not decrease the prior declaration. If, therefore, profits are greater than those anticipated for 1939 and 1940, the severe 6 per cent and 12 per cent tax will be avoided by a moderate payment of an increased capital stock tax.

In 1939, corporations should ascertain whether they should make a new, higher declaration which will reduce or eliminate the excess profits tax for which returns will have to be filed in March, 1940. The general rule is that the declaration should be approximately ten times the estimated earnings for 1939 if the excess profits tax is to be avoided.

One of the interesting avenues for

relief which has arisen with the right to change declarations in 1939 and 1940 is the suggestion by tax practitioners that corporations will now change their fiscal year to one closely following the year for which the capital stock declaration is made—June 30. If that can be done, it will obviate the need for guessing the profit for the full year, and the declaration as of the previous June 30 will be the basis for the excess profits tax in the fiscal year ended July 31 or August 31, as the case may be. BY J. K. LASSER. *American Business*, August, 1939, p. 13: 3.

(Various other avenues of relief to the taxpayer are also discussed in this article—Editor.)

### Planning for Tax Economy

The following are some of the records which the accountant should prepare or have a part in preparing for use in tax planning (in large companies some of these items may be under the direction of the budget director or the head of the tax department):

1. A record from which can be readily determined the kinds and amounts of taxes accrued and paid.
2. An accounting classification which will facilitate the preparation of tax returns.
3. A tax calendar which will show chronologically the dates on which tax returns should be prepared, filed, etc., and on which tax payments should be made. Large companies with thousands of different tax disbursements may find it necessary to use tickler card files.
4. A tax record showing the dates on

which returns were actually filed, the dates on which payments were made, the amounts of the payments, dates of examinations of returns, a brief statement of the results of examinations, dates on which protests were filed, etc.

5. A tax budget showing the estimated bases and amounts of taxes of various kinds for which planning is to be done. For example, in planning for income taxes the budget should show estimated income, estimated deductions, net income, credits, adjusted net income, and amount of tax.

Item 5 should be a part of the com-

pany's regular budget or closely related to it. In few, if any, cases should the basic estimates be made by the accountant. Ordinarily he should obtain estimates of revenues and expenses for the remainder of the period from the general manager or department manager in charge of the related activities. After the estimates have been prepared, they should be reviewed to see what action may be taken in connection with the taxes involved. BY CHARLES H. TOWNS. *N. A. C. A. Bulletin*, August 1, 1939, p. 1496: 15.

(Several suggested forms are reproduced with this article—Editor.)

## Insurance \*

### Considering a Safety Program on Basis of Monetary Return

Before employers can consider accident prevention on a dollars-and-cents basis, they must know how much money might reasonably be invested in a safety program and what return to expect from the program under average or normal circumstances. To answer these questions, it is necessary to know how much accidents cost and how far the accidents and their involved costs can be reduced.

Accident expenses include, of course, the costs involved under workmen's compensation law—medical bills, hospitalization, compensation payments, clerical and administrative expense, and, sometimes, legal costs. In addition

to these, there are the installation and maintenance costs of first-aid rooms and plant hospitals, the expense of rehabilitation work, etc.

Besides these obvious costs, other and usually greater expenditures follow. Some frequent cost factors are: loss of time by co-workers; breakage of machinery or tools, and spoilage of material; the hiring and training of new and replacement help; delayed deliveries; etc. In a recent survey, H. W. Heinrich estimated that secondary costs amount to approximately four times the combined medical and compensation costs.

From data of the U. S. Bureau of Labor Statistics, the cost under compensation may be estimated at \$148 for each compensable injury. To this

\* Insurance abstracts are contributed by P. D. BETTERLEY, *Insurance Consultant*.

sum must be added legal and administrative expenses, which bring the total direct cost up to \$246. But, since this sum is only one-fifth of the cost to the employer, the total cost for an average compensable injury is \$1230.

On the average, this data indicates, there is one compensable injury a year for each 10 workers. At \$1230 for each accident, the cost of compensable accidents to the employer in an average plant may be estimated at \$12,300 a year for each 100 employees.

Figures on accident reduction suggest that a 10 per cent improvement a year should be altogether possible. This reduction in frequency of accidental injuries would represent an annual saving to the employer of \$12.30 a man, or about \$1230 for each 100 employees. It must be remembered, however, that general conclusions such as these are meant to apply only to that mythical plant called "average," but it is the belief of most informed persons that a 10 per cent improvement will represent minimum possibilities for all concerns except those that have had highly organized safety departments for a number of years. BY EDWARD R. GRANNISS. *The Insurance Post*, April, 1939, p. 5: 2.

### **Compromise and Settlement— Coverage**

An insurance company has been held liable for the amount of judgment in excess of policy limits when it refused to settle within those limits unless the insured paid a portion of the amount necessary to effect a settlement. Failure

of the adjuster and attorney to notify the company of the fact that judgment would be in excess of policy limits was held sufficient to support a verdict of bad faith.

This important decision was reached by the Supreme Court of Vermont in the case of *Johnson vs. Hardware Mutual Casualty Co.*, affirmed October 4, 1938. The Court further said: "When the company accepted the premium charged for the policy, it impliedly undertook to use this control and management for the mutual benefit of the parties to the contract."

The company issued a policy to the insured with limits of \$5000-\$10,000. In the accident resulting in the suit, five persons were injured. During the trial an offer was made to accept \$5500 in settlement of all claims. The offer was refused, the company declining to pay more than \$3500. The offer was then withdrawn, and there was a verdict and judgment for \$14,000. The insured had notified the company that if settlement was not made, he would look to the company to pay the entire judgment. The adjuster and attorney for the company believed that judgment would exceed the policy limits, but did not notify the company of this belief. *Insurance Decisions*, April, 1939, p. 490:3.

### **Maintenance of Sprinkler Equipment**

Most serious fires in the ordinary classes of property properly equipped with sprinklers have assumed serious proportions because of closed valves.

Serious fires seldom occur in properties completely protected with automatic sprinkler equipment properly maintained.

It does not take a trained engineer to look after a sprinkler system, but it does require a competent, intelligent and reliable employee who has been given the responsibility of regularly inspecting the system and reporting any troubles or defects to his employer. Any proposed changes in construction and changes in occupancy, processes or equipment, should be referred to the inspection department in order to determine whether changes in sprinkler protection will be required.

The rules provide that there shall be a clear space of at least one foot below the deflector of the sprinkler, on a level

with ceiling or roof, but it is preferable to provide two feet of clear space. All valves controlling water supplies to automatic or open sprinkler systems should be examined at least once every week. The watchman should be familiar with the sprinkler system and water supplies, especially with the location and use of shut-off valves and drains. Many serious fires and losses have occurred because the watchman shut off the water before the fire was extinguished, allowing the fire to spread beyond control of sprinklers.

It is recommended that an inspection of the sprinkler system be made once a week, and that a written record be kept on a form prepared for that purpose. *The Weekly Underwriter*, May 6, 1939, p. 966:5.

---

## *Survey of Books for Executives*

---

**Business and Capitalism.** By N. S. B. Gras. F. S. Crofts & Co., New York, 1939. 408 pages. \$3.50.

Any book which traces the development of business enterprise over the centuries cannot help but be interesting—especially when it presents dozens of thumbnail sketches of individual business men performing at various times and in various places. And when it is written by such a distinguished historian as N. S. B. Gras, Professor of Business History of the Harvard Grad-

uate School of Business Administration, one can expect the subject matter to be further enhanced by enlightened comment.

Professor Gras defines business as "administration that looks towards exchange," which means that he emphasizes organization, planning, policy determination, imagination, and the way in which economic endeavor is carried forward. His problem is not that of business under capitalism as against business under some other regime, but rather that of business under varying



forms of capitalism, from the petty capitalism of ancient and medieval days, the "sedentary" mercantilism of the pre-Industrial Revolution period, the industrial capitalism of the Nineteenth Century, the financial capitalism of a generation or two ago, to the emerging national capitalist systems of today.

Any review in such terms, however, is decidedly unfair to the book, because it may imply that Professor Gras devotes himself to sweeping generalizations. The fact is that he has placed great emphasis on illustrations and always clarifies his point by using a specific case. The majority of readers are probably as ignorant as was the reviewer of the part played by Smythe, Peirce, Cradock and Usselinx in the development of America. Perhaps more will be familiar with the history of bookkeeping. But even the stories of Andrew Carnegie, John Claflin, J. P. Morgan, W. C. Ralston; the histories of General Foods and Standard Brands; the quick sketches of such different industries as the oatmeal and the public utility industries—are worth the reading.

After going through the entire book (and the author warns that it should not be read in parts), one cannot help but feel that an analysis of the present and a forecast of the future are greatly enhanced by an understanding of the past. Professor Gras is by no means happy over the development of national capitalism. He thinks that perhaps the national capitalism experiment may cease in the early 1950's and that we

may return to another era of financial capitalism.

*Reviewed by Willard L. Thorp,  
Director of Economic Research, Dun &  
Bradstreet, Inc.*

**Common Stocks and Uncommon Sense.** By Clark Belden. Coward-McCann, Inc., New York, 1939. 322 pages. \$3.00.

Probably the most significant difference between the common stock owner of 1929 and the same individual of 1939, this book points out, is that 10 years ago the investor was telling his financial advisers what to do and now he is begging them for advice and information on how to manage his holdings. The reason for this change is that in 1929 there was a one-way market, and today the trend is a tricky and changing one that requires close scrutiny and research on the part of the individual who desires to understand it.

While busboys, housemaids and elevator operators could roll up large paper profits in astonishingly short periods of time a decade ago, today only the watchful student can operate successfully in the market. The thousands who did not know whether the Dow theory was a system for figuring baseball batting averages or a method for measuring the spots on the sun are out of the market, and the exchange now trundles expensively along with a tiny volume in a manner comparable to a 10-ton truck laden with a single bag of cement. The runs of stocks up and down are short and the movements

quick. Securities do all kinds of unaccountable things, and the investor is alternately bewildered by war scares, acts of the government, and changes in the steel operating rate.

Mr. Belden in this volume writes about this present-day market and his personal adventures in it. He writes from the point of view of the layman, not the professional trader. Yet, as his successive chapters make one realize, he is not the average layman. His pertinacity in tracking down the market's vagaries, his patient research, and the mere fact that he has written a book about his experiences, lift him out of the category of "average." Perhaps he would be better termed the "model lay investor," because he did all the things that such an investor should do. He threw away his hunches, ignored the opinions of others, and forsook such superficial research as occasional peeps at the financial page of his newspaper. He really tackled the problem in a sensible way. His objective was to find out what made the clock tick.

Disappointments? Yes, he had many of them. Basing his action on several months of close study of the then current market conditions, he bought into the market only to be caught shortly after in the crushing swoop of the 1937 recession. This made him realize that his studies up to this point had been a mere scratching of the surface and that he would have to go much deeper if he was to have any success at all in correctly anticipating the market's behavior.

He then goes on to tell about his discovery of the Dow theory, to whose

workings he devotes several chapters. He discusses short selling, margin buying, and economic signals that are of significance to the investor.

In all his 322 pages, however, Mr. Belden not once urges the reader to buy common stocks. In fact, he points out so vividly the hazards which the investor faces that one might well conclude after reading the book that the stock market is no place in which to risk funds. On the other hand, Mr. Belden gives such distinctly helpful advice that anyone contemplating a venture into the market or anyone already in the market cannot help but be benefited.

The book is intended for the use of the individual whose bread-and-butter occupation is more important to him than the stock market. Mr. Belden has done an admirable job in filling a need that has long existed.

**The Seniority Principle in Union-Management Relations.** By Frederick H. Harbison. Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J., 1939. 40 pages.

How have union demands for seniority rights affected personnel practice in regard to layoffs, rehiring and promotions? The unions themselves realize the impracticability of exclusive adherence to seniority in these matters, yet they insist that wherever possible the seniority principle should prevail. The result is that a variety of troublesome questions arise if management

and the unions do not see eye-to-eye on the relative values of length of service and competency.

This brief study of the entire problem attempts to give a picture of the prevailing conditions and opinions regarding seniority in the mass-production industries. In a chapter on "Seniority and Competency in Layoff," the study states that it is apparent that "even under the flexible type of agreements, seniority is apt to be the principal factor in determining the order of layoff and restoration of the working forces in 70 to 80 per cent of cases." In explanation of this tendency the report says that management is usually willing to retain most of its older workers. Further, as one executive pointed out, closer adherence to the seniority principle under union contracts has helped management to eliminate the favoritism of the supervisory forces that had existed under shop conditions. Also, local unions have pressed for strict application of seniority in order to limit management's discretionary control of layoff policies. And, finally, "both unions and companies have found it extremely difficult to determine and measure relative competency, particularly among unskilled or semi-skilled production workers."

In a chapter on "Ability Rating for Determining Competency," the study states that organized labor was found to be "generally antagonistic" toward ability rating plans. "It appears, however," the report continues, "that the present scarcity of effective merit-rating plans is attributable as much to

skepticism within the ranks of management as to opposition from organized labor. Several employers interviewed looked at merit-rating plans as impractical, too mechanistic, and a waste of time. Nevertheless, when seniority is qualified by ability and efficiency, rating is inevitable, and management must reach conclusions concerning the relative merits of workers. Formal ability-rating plans have the advantage of making this process more objective, for the decisions reached by the foremen are subject to review by a higher supervisory officer or union representative."

The report is a decidedly valuable addition to the meager existing literature on the seniority principle. While it is in no way conclusive and while there is an absence of statistical data upon which to base conclusions, the report does cover current practices and presents the factors which will probably govern future developments. For the personnel and industrial relations executive it constitutes an important document.

**Making Good Before Forty.** By Walter B. Pitkin. Robert M. McBride and Company, New York, 1939. 251 pages. \$2.00.

Having prescribed for a happy existence after forty, Mr. Pitkin now considers the problems of America's youth who are striving to establish themselves in various professions and businesses. On the whole, Mr. Pitkin is vaguely helpful, but his remedies and suggestions are too pat. This is un-

derstandable, because he is addressing two million youngsters (he says so himself), each one with his separate and different ambitions, bewilderingments, cravings, burdens and handicaps.

The individual approach being impossible, Mr. Pitkin is forced to use mass treatment, which requires an understanding of the temperament of tender growing things and the effect on this temperament of the general economic and social conditions that prevail in the country.

What he advises youth to do is principally to be acutely alert. There are myriads of opportunities, and he suggests many of them—the most obvious, to be sure. There are hundreds of defects in our economic system that challenge the eager and resourceful young mind, he declares.

He points out, for example, that last year there were 223 diesel-engined ships of more than 1000 gross tons each built in the world's shipyards. "Of these," he asks, "how many did we build? Precisely three!"

The motion picture industry is decaying, he finds, and the railroads are "a mess." Farming, generally, is uneconomic, and many other industries are shaky and inefficient. He uses a broad brush for this picture of industry and draws a word cartoon, not falsified, but misleading in that the situations are over-simplified.

He tells stories of young people who made good by using their wits. He urges young men to marry late, and to look around at home before they succumb to the urge to travel. He senses

the boredom that affects the young and suggests some cures. He feels the cynicism of the unadjusted youth and caters to it. He realizes the characteristic egoism of his two million and caters to that also. They are more intelligent than 95 out of 100 other people, he says; and his implication is that they ought to make this intelligence felt in the nation.

The style of the book is brisk and skilfully paced for the young mind. It is filled with nice conclusions which anticipate the vigorous agreement of young people.

**Employment Department Organization and Procedure.** Personnel Group, National Retail Dry Goods Association, New York, 1939. 40 pages. \$2.00 to non-members, \$1.00 to members.

This study consists of the results of a survey made of the employment department operations of 53 representative stores. A comprehensive picture is given of existing practices in the smaller retailing organizations as well as in stores employing more than 3000.

The material is divided into two main sections, one bearing on employment procedures, the second upon the employment forms utilized in the establishments that participated in the survey. The division on procedures discusses such subjects as: organization of the employment department; the internal personnel setup of the employment department; the authority of the employment department; its physical facilities; the sources of applicants;



salary rates and control; employment maintenance.

The National Retail Dry Goods Association has done a thoroughly helpful job in its description of the forms used by retail businesses. A liberal and well-selected group of forms ranging from application blanks to requests for release are reproduced in the booklet.

**Engineering Opportunities.** Edited by R. W. Clyne. D. Appleton-Century Company, New York, 1939. 397 pages. \$3.00.

In the foreword to this volume, Dr. Karl T. Compton, President of the Massachusetts Institute of Technology, declares: "We owe a debt of gratitude to the authors for bringing together a bird's-eye view of the field of engineering for the guidance of those who are interested in making its closer acquaintance."

There are 26 engineering opportunities described in the volume. Each chapter is written by a representative of a foremost American company en-

gaged in the particular field described. The various authors are experts in their individual fields; and in each case they show the background of the industry, the present condition of affairs, and the possibilities for the future.

The engineering fields described are: the aluminum industry, applied physics, architecture and city planning, the automotive industry, aviation, building construction, diesel power, electrical manufacturing, fatigue of metals, food technology, glass, industrial design, industrial engineering, metal mining, metallurgy, naval architecture and marine engineering, the petroleum industry, photography, plastics, radio, railway equipment, refrigeration and air conditioning, the rubber industry, engineering in the steel industry, steel castings and welded structures, and mechanical vibrations.

The young man who contemplates a career in engineering will be especially benefited by the information the book contains. Each field is described in sufficient detail to afford a practical understanding of its present condition and its future.

---

## *Briefer Book Notes*

---

**THE CONSUMERS' COOPERATIVE AS A DISTRIBUTIVE AGENCY.** By Orin E. Burley. McGraw-Hill Book Company, Inc., New York, 1939. 338 pages. \$3.00. Here is a well-rounded, objective treatment of consumers' cooperative distributive methods and policies, the performance of marketing functions, personnel and membership relations, etc. Detailed consideration is given the various types of retail cooperatives, wholesale cooperatives, and the "super" cooperative wholesale societies that function on a national front. The legal bases of consumers' cooperatives, both from an institutional and a distributive standpoint, are fully discussed.

August, 1939

287

**GROUP PURCHASE OF MEDICAL CARE BY INDUSTRIAL EMPLOYEES.** By Leahmae Brown. Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J., 1938. 53 pages. \$1.00. A brief summary and analysis of a limited number of plans for the group purchase of medical care by industrial workers. The plans presented have been chosen, not as indicating a statistical mode of existing programs, but as being representative of the best. The report also examines the objections of organized medicine toward group purchase plans.

**TEXTILE COSTING.** By Jeremiah Lockwood and Arthur D. Maxwell. The Textile Foundation, Washington, D. C., 1938. 282 pages. \$2.00. Stresses the importance of cost data and their use to management in the running of a mill. The book is not intended for textile accountants but rather to indicate to executives the principles of costing and the ways in which a knowledge of costs can help management to make its control of mill operations more effective.

**PREMIUM ADVERTISING AS A SELLING FORCE.** By Frank H. Waggoner. Harper & Brothers, New York, 1939. 289 pages. \$3.50. This is a pioneer volume on the nature, selection and use of premiums as one of the powerful patronage-building forces in modern merchandising. The principles underlying each type of premium are discussed in complete detail and the successful application of special forms of premium use shown in solving such sales problems as introducing new products, reviving established brands, extending a line, selling a "family" of products, meeting competitive attacks, moving sluggish stocks, etc.

**THE WAGE AND HOUR LAW.** *Law and Contemporary Problems*, Summer, 1939. School of Law, Duke University, Durham, N. C. 175 pages. 75 cents. This summer issue of the Duke University Law School quarterly is devoted to a critical symposium on the legal, economic and administrative problems presented by the Fair Labor Standards Act. In 12 separate articles, questions concerning legal interpretation and the economic effect of the Act are fully discussed. Many of the writers do not hesitate to deal with the problems of the future which will arise as the standards of the law become more exacting.

**LABOR AND SOCIAL ORGANIZATION.** By David A. McCabe and Richard A. Lester. Little, Brown and Company, Boston, 1938. 374 pages. \$1.20. This book deals with labor organization, labor legislation, social security, and social reorganization; and it describes and analyzes those problems of modern economic society that are directly related to and arise from the wage system. While it has been designed for use in an introductory course in economics, the volume may also serve as a textbook for courses in labor problems.

**THE MINIMUM WAGE: AN INTERNATIONAL SURVEY.** International Labor Office, Washington, D. C., 1939. 257 pages. \$1.25. A series of nine monographs analyzing the experience of different countries in minimum-wage regulation. The countries covered are Australia, Belgium, Czechoslovakia, France, Great Britain, Ireland, New Zealand, Peru and the United States.

**THE MEASUREMENT OF ADULT INTELLIGENCE.** By David Wechsler. The Williams & Wilkins Company, Baltimore, 1939. 229 pages. \$3.50. This book describes the construction and use of the Bellevue Adult Scale, which provides reliable measures of intelligence that aid in diagnosis of psychopathic conditions. In addition, the volume contains a thorough discussion of the theory and practice of intelligence testing.

**MORE INFORMATION FOR EMPLOYEES REGARDING THEIR COMPANY.** Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 52 pages. Gratis. This report deals with some of the methods used by more than 160 companies to keep their employees reliably informed. It includes the use of interim reports, letters to employees, the employee magazine, charts and posters, courses for employees, employee meetings, employee contests, and other channels of communication.

**PERSONAL FINANCE COMES OF AGE.** By M. R. Neifeld. Harper & Brothers, New York, 1939. 324 pages. \$3.50. An authoritative and comprehensive statement of the present legal, social and business status of the small loan business throughout the country. The social implications of this increasingly used facility for consumer credit and the methods under which it operates are graphically set forth.

By  
ti-  
nd  
ial  
of  
the

tile  
ost  
for  
ays  
ons

per  
ure,  
era  
lete  
uch  
ine,  
etc.

939.  
ssue  
egal,  
n 12  
the  
s of

A.  
with  
ribes  
arise  
e in

Labor  
yzing  
vered  
Peru

The  
ribes  
es of  
con-

ANY.  
pages.  
ies to  
ers to  
meet-

others,  
of the  
untry.  
ethods

Review